

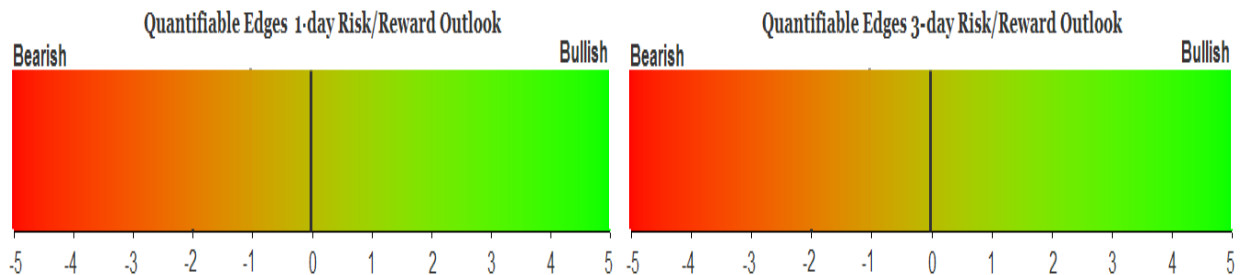
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 3, 2019

Volume 12 Issue 127

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The VIX is stretched to the downside, but that has not led to a reliable bearish edge when SPX is already at new highs.

## *Short-term Outlook*

### *The Bottom Line*

Like yesterday, the Aggregator is neutral and so am I.

*Summary of Recent Active Studies (see Letters from listed dates for details)*

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
July 2, 2019	20-high unfilled gap. Close < open	1-3 days	Bullish			
June 27, 2019	1st close < 10ma in 15+ days	1-5 days	Bullish			
<b>Active - Long Term</b>						
June 21, 2019	SPX RSI2 crosses over 99.	1-15 days	Bullish			
June 11, 2019	Up 5 > 200 < 50-high	1-15 days	Bullish	3.00%	-1.70%	-3.20%
June 5, 2019	20-day low to 4-day high	1-20 days	Bullish	3.70%	-2.10%	-4.40%
April 24, 2019	SPX closes above 50-day Bollinger Bnd	1-50 days	Bullish	5.00%	-4.30%	-8.10%
April 2, 2019	Golden Cross	int term	Bullish			
October 1, 2018	Quantitative Tightening	int term	Bearish			

**The Evidence**

An afternoon push left the market mixed. The SPX rose 0.3%, the NASDAQ gained 0.2%, and the Russell 2000 lost 0.6%. Breadth was also mixed as the NYSE Up Issues % was 55% and the Up Volume % came in at 46%. NYSE volume declined again. I expect it to remain light this week with the 4<sup>th</sup> of July holiday.

While the market has rallied the last few days, the VIX has collapsed. The study below was last seen in the 11/21/12 Subscriber Letter. It looked at instances where the VIX closed below its lower Bollinger band for multiple days. It also included a long-term trend filter. Results have all been updated.

VIX closes below lower Bollinger Band today and yesterday.SPX > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1991 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-14,128.69	34	13	21	38.24	4,482.50	-5,999.92	1,694.28	-1,721.63	0.98	0.61	-415.55
4	-19,812.80	34	14	20	41.18	4,440.00	-6,497.20	1,139.40	-1,788.22	0.64	0.45	-582.73
3	-9,546.11	36	19	17	52.78	3,950.00	-3,832.46	949.17	-1,622.37	0.59	0.65	-265.17
2	-14,935.88	37	16	21	43.24	1,974.69	-3,712.29	689.59	-1,236.63	0.56	0.42	-403.67
1	-10,113.33	48	20	28	41.67	1,377.50	-3,644.52	459.43	-689.35	0.67	0.48	-210.69

The results spreadsheet appears to suggest a moderate downside edge, especially over the first 1-2 days. It struck me today that perhaps these results might not be as impressive if we took into account the fact that the market is hitting new highs. So I broke the above down by times the SPX closed at a 20-day high vs times it did not.

VIX closes below lower Bollinger Band today and yesterday.SPX > 200ma and at a 20-day high.  
Buy SPX on close. Sell X days later. \$100k/trade. 1991 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-1,292.81	16	7	9	43.75	4,482.50	-4,738.88	1,359.01	-1,200.65	1.13	0.88	-80.80
4	-701.64	16	9	7	56.25	4,440.00	-4,515.49	1,249.13	-1,706.26	0.73	0.94	-43.85
3	426.43	16	11	5	68.75	3,950.00	-3,057.18	842.93	-1,769.15	0.48	1.05	26.65
2	-2,673.01	16	9	7	56.25	1,780.00	-3,712.29	549.56	-1,088.43	0.50	0.65	-167.06
1	1,943.82	21	11	10	52.38	1,377.50	-1,099.82	459.68	-311.27	1.48	1.62	92.56

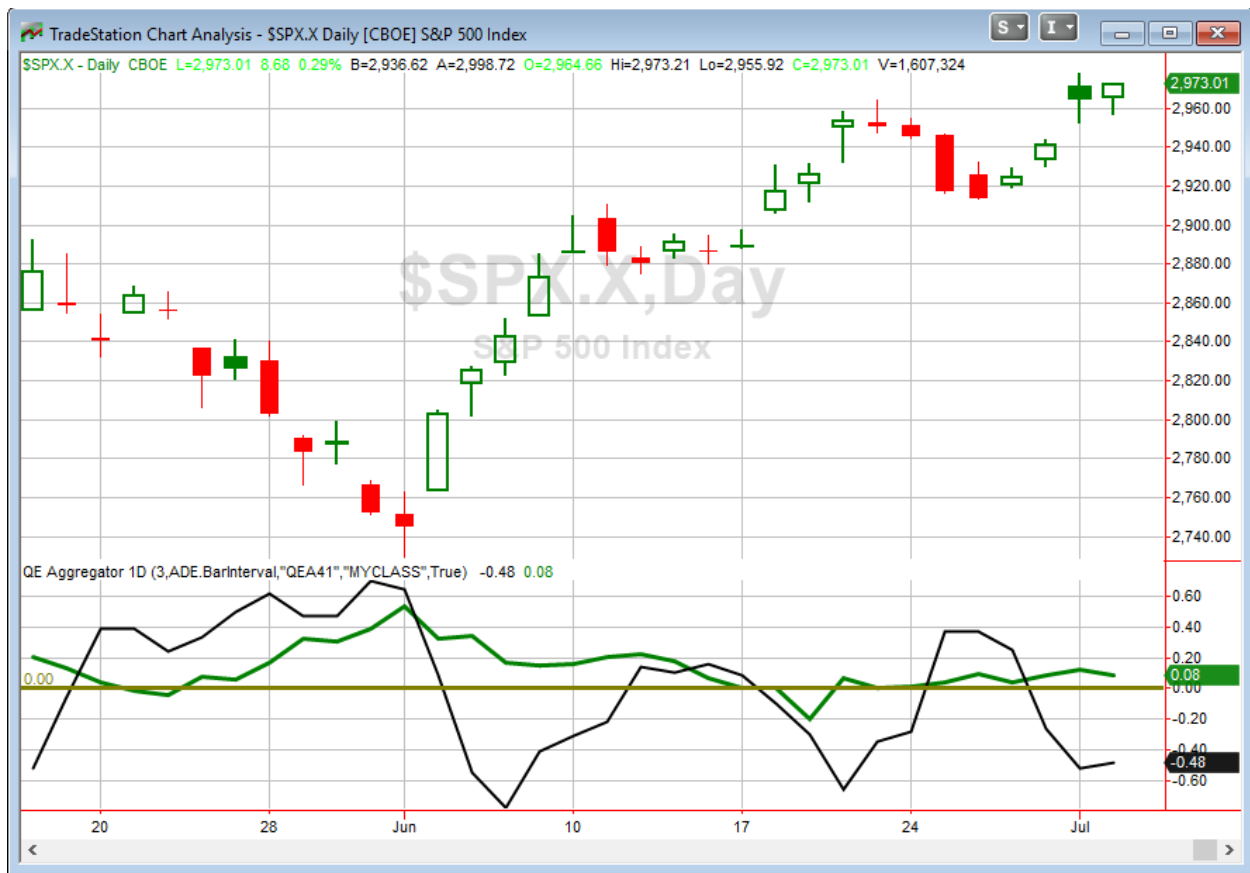
Times like the present where the SPX is making new highs, the results following the stretched VIX have not suggested a directional edge. But here are times SPX was not at a new high.

VIX closes below lower Bollinger Band today and yesterday.SPX > 200ma but < a 20-day high.  
Buy SPX on close. Sell X days later. \$100k/trade. 1991 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-17,284.85	21	7	14	33.33	3,216.20	-5,999.92	1,834.13	-2,151.70	0.85	0.43	-823.09
4	-23,316.06	21	7	14	33.33	1,751.65	-6,497.20	739.38	-2,035.12	0.36	0.18	-1,110.29
3	-15,071.51	22	8	14	36.36	2,823.84	-4,447.72	1,101.91	-1,706.20	0.65	0.37	-685.07
2	-16,724.38	23	7	16	30.43	1,974.69	-3,674.84	869.62	-1,425.73	0.61	0.27	-727.15
1	-12,057.15	27	9	18	33.33	899.64	-3,644.52	459.12	-899.40	0.51	0.26	-446.56

These numbers are very impressive and suggest a solid downside edge. And while I am not going to show them tonight, the 2 and 4-day profit curves were also impressive. Of course tonight we are staring at a 20-day high, so there does not appear to be an edge suggested, and I am not adding any new studies to the Active List.

I have updated [the Aggregator chart](#) below.



Without any new studies being added tonight, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal stayed flat at the close.

Based on the current Active Studies list, expectations are set remain positive on Wednesday. This could change if compelling new bearish evidence emerges. The Differential Pivot will 2947.89 on Wednesday. That is 0.8% below Tuesday's close. Therefore SPX would need to close down at least 0.8% on Wednesday in order to flip from overbought to oversold versus expectations.

My overall outlook remains basically the same as yesterday. Bullish evidence suggests it is not a good time to try and short the market. The short-term overbought nature means long entries carry extra risk. Like the Aggregator formation, I am neutral. I am not inclined to take on new index exposure until a more compelling reward/risk setup emerges.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/1– somewhat bullish*

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***OpenCatapult Triggers***

None

***Broad Market Large Cap CBI – 0***

### **Additional New Trade Ideas**

*A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.*

**None tonight.**

### **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPG(1/3)	6/27/2019	\$159.27	\$161.95	1.68%	<i>sell on open</i>

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